

WORK SHARING UNEMPLOYMENT INSURANCE PROGRAM

This California program allows for the payment of Work Sharing Unemployment Insurance benefits to individuals whose wages and hours have been reduced. The program is considered a temporary and practical alternative to layoffs. For example:

- Due to an economic downturn, an employer with 100 employees finds it necessary to lay off 20 employees. However, rather than lay off these employees, the employer participates in the Work Sharing program. The employer keeps all 100 employees on the payroll but reduces their workweek from five days to four days, thereby achieving the same desired 20 percent reduction in payroll. All 100 employees continue to earn wages for four days and also are eligible for Work Sharing benefits for the fifth (nonworking) day. The employer retains all trained staff and, when business improves, the employees resume their five day work schedule.

Background

California's Work Sharing program was the first program of its kind in the nation. It was established by the California State Legislature in 1978 under Senate Bill 1471. The objective of the Work Sharing program is to help employers and employees avoid some of the burdens that accompany a layoff situation. If employees are retained during a temporary slowdown, employers can quickly gear up when business conditions improve. Employers are spared the expense of recruiting, hiring, and training new employees. Employees are spared the hardship of total unemployment.

Who May Participate in Work Sharing?

Any employer who has a reduction in production, services, or other conditions that cause the employer to seek an alternative to layoffs may participate in the Work Sharing program. Some of the specific requirements are:

- A minimum of two employees, comprising at least 10 percent of the employer's regular work force or a unit of the work force, must be affected by a reduction in wages and hours worked.
- The reduction in wages and hours worked also must be at least 10 percent.

How Does an Employer Participate in Work Sharing?

To participate in this program, employers may call or write:

EDD Special Claims Office
P.O. Box 269058
Sacramento, CA 95826-9058
(916) 464-3300

The Special Claims Office will mail interested employers a *Work Sharing Plan Application* and other general information. Employers must send the completed *Work Sharing Plan Application* to the Special Claims office for approval. If a collective bargaining agreement(s) covers the affected employees, the concurrence of *EACH* union bargaining agent(s) is required. A Work Sharing plan is approved for a six-month period.

What Happens After the Employer's Work Sharing Plan Application is Approved?

The Special Claims Office in Sacramento sends the employer a letter of approval, one mail claim packet for each participating employee, and a ten-week supply of weekly certification forms for each employee. During the weeks of reduced hours and wages, the employer issues the certification forms to the participating employees.

All Work Sharing claims are filed by mail. The employer and participating employee complete the documents contained in the mail claim packet. After completion, the documents are mailed to the Special Claims Office to establish an Unemployment Insurance claim. Employees approved to participate in the program must meet regular Unemployment Insurance claim filing requirements. After the Unemployment Insurance claim is filed, the employer issues a weekly certification form to each participating employee. Benefits are paid weekly proportionate to the percentage of reduction in hours and wages. For example:

- An employee normally works a five-day workweek and is paid \$200. If this employee's workweek is reduced to four days, the employee's weekly wages

would be \$160. This is a 20 percent reduction in wages and hours. The Work Sharing benefits for this employee are 20 percent of the Unemployment Insurance benefits the employee would receive if the employee were totally unemployed. If the employee's weekly Unemployment Insurance benefit amount is \$91, the employee would qualify for \$18 in Work Sharing benefits. This results in a reduction in gross wages of only \$22 for that week (\$160 + \$18 = \$178).

How is the Employer Charged?

Employers are charged for Work Sharing Unemployment Insurance benefits in the same manner as for regular Unemployment Insurance benefits. Questions regarding employer charges may be directed to:

EDD Contribution Rate Group
(916) 445-0750

The Advantages of Work Sharing

- Minimizes or eliminates the need for layoffs and the accompanying hardships for employees.
- Enables a business to retain trained employees and avoid the expense of recruiting, hiring, and training new employees.

- If employees are retained during a temporary slowdown, employers can quickly gear-up when business conditions improve.
- For employers who need to reduce their work force permanently, Work Sharing can be used as a phased transition to layoff.
- Affected employees can continue to work at reduced levels with an opportunity to find other employment before an expected layoff.
- More equitable than layoffs, which place the burden of economic adjustments for an entire business on relatively few employees.
- Can be used in almost all types of business or industry.

The Work Sharing program can meet employers' needs due to its built-in flexibility and possible variations. For further information, please contact:

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